

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 EA-10 NEA-11 ISO-00 EB-08 AID-05
FDRE-00 IO-13 HA-05 OES-07 HEW-04 TRSE-00 OMB-01
CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00
PA-01 SP-02 CA-01 CTME-00 NSCE-00 SSO-00 ICAE-00
INRE-00 /115 W

-----042866 131926Z /72

O 131734Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 7235

INFO AMEMBASSY PARIS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY OTTAWA PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY JIDDA PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11652

PARIS FOR TARNOFF FROM DICK MOOSE

E.O. 11652: GDS

TAGS: CG, EAID, EFIN, PINS, MOPS

SUBJECT: BRUSSELS MEETING ON ZAIRE'S ECONOMIC

PROBLEMS: THE STATE OF PLAY, JUNE 13

1. THUS FAR DISCUSSIONS HERE HAVE CENTERED AROUND
THE NEED FOR FUNDAMENTAL REFORMS ON THE PART OF
THE ZAIRIANS IN THE WAY THEY MANAGE THEIR ECONOMY
IF ASSISTANCE, IN WHATEVER AMOUNTS, IS TO BE FORTH-
COMING AND EFFECTIVE. ALL AGREE THAT KEY CONTROLS
OVER THE BUDGET, FOREIGN EXCHANGE REPATRIATION AND
UTILIZATION, CUSTOMS EVASION AND OTHER AREAS MUST
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BE IMPLEMENTED. THE QUESTION BEFORE THE MEETING AS
OF NOW IS WHETHER SOME OF THESE REFORMS SHOULD BE
LINKED TO THE PROVISIONS OF "EMERGENCY ASSISTANCE"
OVER THE NEXT THREE MONTHS. WE ARE TAKING THE
POSITION THAT THE IMPLEMENTATIONS OF FOREIGN EXCHANGE
CONTROLS AND A SYSTEM TO ASSURE THAT FOOD AND OTHER
EMERGENCY ASSISTANCE REACHES THE POOR AT

AFFORDABLE PRICES SHOULD BE IN PLACE AT LEAST
COINCIDENT WITH THE ARRIVAL OF SUCH ASSISTANCE.

2. WE HAVE GOTTEN ACROSS OUR POINT OF VIEW IN
A VARIETY OF FORA. YESTERDAY AFTERNOON WE MET WITH
THE BELGIANS WHO, WHILE THEY CONTINUE TO INSIST ON
THE URGENT NEED FOR FOOD, PETROLEUM, MEDICINES AND
SPARE PARTS, ALLOWED THAT SOME OF THIS ASSISTANCE,
SPARES AND PETROLEUM MIGHT BE LINKED TO IMMEDIATE
REFORMS. THE ZAIRIAN DELEGATION WITH WHOM WE MET
LATE LAST NIGHT SAID THEY AGREED WITH OUR REASONING
THAT FOREIGN EXCHANGE CONTROLS WERE SOMETHING THAT
THEY SHOULD DO IN ANY EVENT AND THIS NEED NOT AWAIT
THE ARRIVAL OF AN EXPATRIATE CENTRAL BANK DIRECTOR
OR THE SIGNING OF A NEW STABILIZATION AGREEMENT WITH
THE IMF. BUT WE ARE NOT CONVINCED THAT THE HEAD
OF THE ZAIRIAN DELEGATION, BOKANA, WILL PRESS MOBUTU
HARD ENOUGH FOR THIS IMMEDIATE REFORM. AS THE
DEPARTMENT KNOWS, WE HAD HOPED THAT MOBUTU'S NEWLY
APPOINTED ECONOMIC EMISSARY, BISENGIMANIA WOULD HEAD
THE ZAIRIAN DELEGATION, BUT AT THE LAST MINUTE,
MOBUTU DECIDED TO GIVE THE JOB TO BOKANA WHO IS
MUCH MORE PLIABLE IN THE FACE OF PRESIDENTIAL WILL.

3. THIS LAST MINUTE SWITCH IN DELEGATION HEADS
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HAS RAISED QUESTIONS IN THE MINDS OF OTHER PARTICIPANTS,
AND THIS PROBABLY ACCOUNTS FOR THE TOUGH LINE THAT
THE BELGIANS HAVE TAKEN IN THE OPENING SESSION THIS
MORNING. FOR EXAMPLE, THE BELGIAN MINISTER OF PLAN,
MALDAGUE, ASKED BOKANA TO SPECIFICALLY CONFIRM AT
SOME POINT DURING THE PROCEEDINGS THAT THE BUDGETARY
CONTROLS ENVISAGED IN THE MOBUTU PLAN APPLIED TO
MOBUTU'S SPENDING AS WELL. I ASSOCIATED OUR DELEGA-
TION WITH THAT QUESTION AS WELL AS WITH POINTED ONES
OF MY OWN RELATING TO FOREIGN EXCHANGE
REPATRIATION AND CONTROL.

4. THIS AFTERNOON, THE GENERAL PROCEEDINGS WILL
CONTINUE, BUT A WORKING GROUP WILL ALSO MEET ON THE
SIDE TO GO OVER THE LISTS OF EMERGENCY IMPORTS THAT
ARE REQUIRED OVER THE NEXT THREE MONTHS. OUR REPRESENTATIVES
IN THAT GROUP WILL PRESS FOR REALISTIC
FIGURES, AN ANSWER TO THE QUESTION OF HOW ZAIRE INTENDS
TO USE ITS OWN FOREIGN EXCHANGE TO ADDRESS EMERGENCY
AND OTHER NEEDS, AND LASTLY WE WILL PURSUE OUR VIEW
THAT CERTAIN MINIMUM REFORMS MUST BE PUT IN PLACE
BEFORE SUCH ASSISTANCE CAN BE EFFECTIVE.

5. AS I LOOK DOWN THE ROAD, I SEE STRONG PRESSURES
ON US AND OTHER DONORS TO COME UP WITH SIGNIFICANT
AMOUNTS OF ADDITIONAL ASSISTANCE, NOT JUST EMERGENCY

HELP, BUT FOR THE MEDIUM AND LONGER TERM AS WELL.
THE BELGIAN, THE IMF AND THE WORLD BANK REPRESENTA-
TIVES EMPHASIZED THE DISASTROUS STATE OF THE ZAIRIAN
ECONOMY AND CALLED FOR MASSIVE AMOUNTS OF FOREIGN
ASSISTANCE, ALBEIT PREDICATED UPON FUNDAMENTAL
REFORM. THE IBRD REP, FOR EXAMPLE, SAID THAT \$200-300

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 11652

PARIS FOR TARNOFF FROM DICK MOOSE

MILLION IN NEW ASSISTANCE WOULD BE REQUIRED THIS YEAR
ALONE WITH ANOTHER \$400 MILLION AND \$900 MILLION
REQUIRED IN 1979 AND 1980 RESPECTIVELY. THIS, IN
ADDITION TO DEPT RESCHEDULING DURING THESE YEARS.
INDEED, WE HAVE LEFT THE IMPRESSION THAT THE FREEING
OF OUR SHORT-TERM ASSISTANCE (PL 480 AND SSA)
DEPENDS UPON PROMPT REFORMS. OBVIOUSLY, WE ARE

MAKING NO COMMITMENTS WHATSOEVER.

6. WE INTEND TO INSIST UPON A VERY CONSERVATIVE
LINE AT THE PRESS BRIEFING WHICH THE BELGIANS WILL
HOLD THIS EVENING. IN ESSENCE, WE WOULD HAVE THEM
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SAY THAT THE PARTICIPANTS ARE REVIEWING THE ECONOMIC
SITUATION, INCLUDING ASSISTANCE REQUIREMENTS AND
NEEDED REFORMS, BUT THAT THIS IS NOT A PLEDGING
SESSION. DELEGATES WILL REPORT BACK TO THEIR
GOVERNMENTS. CHAMBERS

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